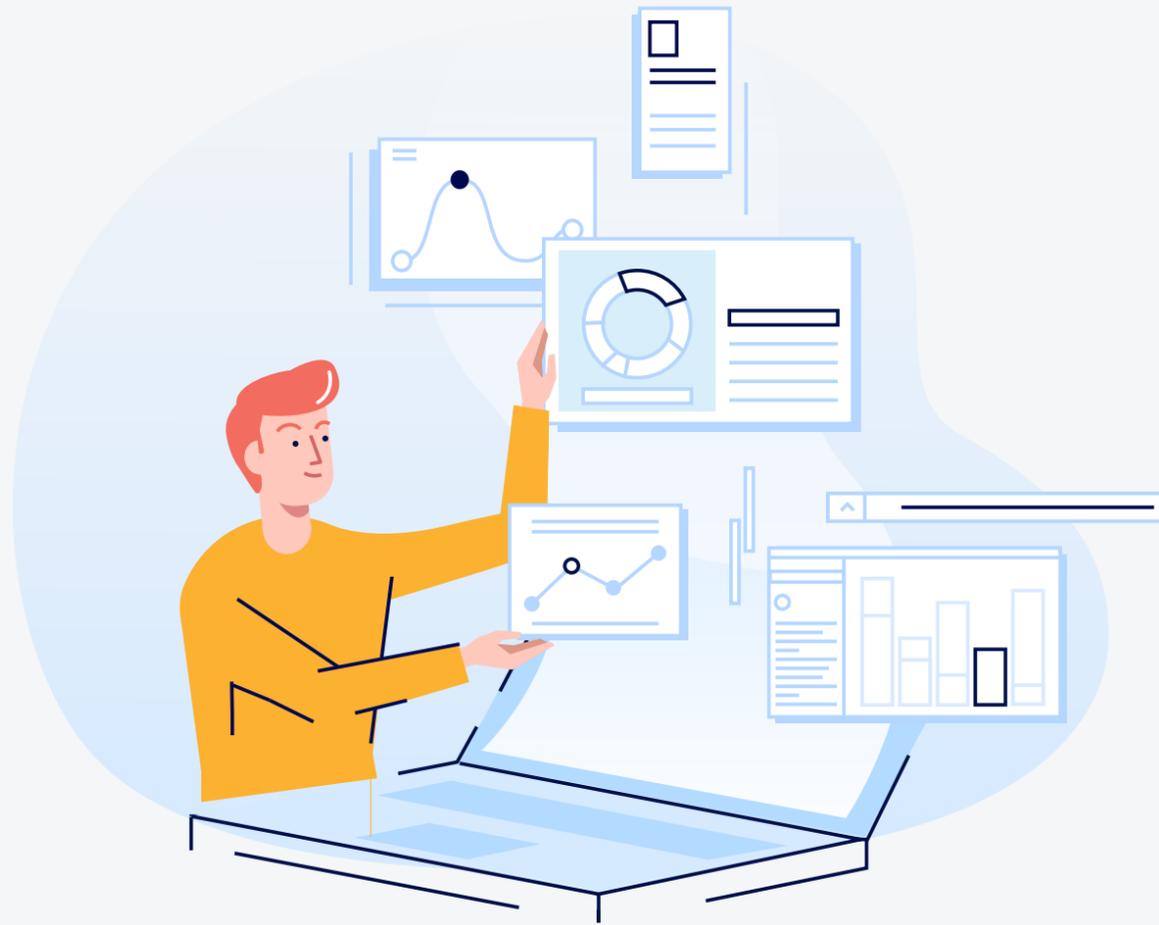


Apple, IDFA and iOS14: New Challenges, New Opportunities for Marketers





Executive Summary

Apple, IDFA and iOS14: New Challenges, New Opportunities for Marketers

A survey of Marketers conducted by the MMA in partnership with AppsFlyer

Background & Objectives:

In June of 2020, Apple announced that with the introduction of iOS 14, new privacy features would include consumer opt-in for permission to track. The rule requires apps to get explicit consent from consumers to access the device's Identifier for Advertisers (IDFA) and transmit data to third parties. AppsFlyer, the leading global attribution provider, partnered with the MMA to survey marketers about the implication of these privacy related updates to their business outcomes.

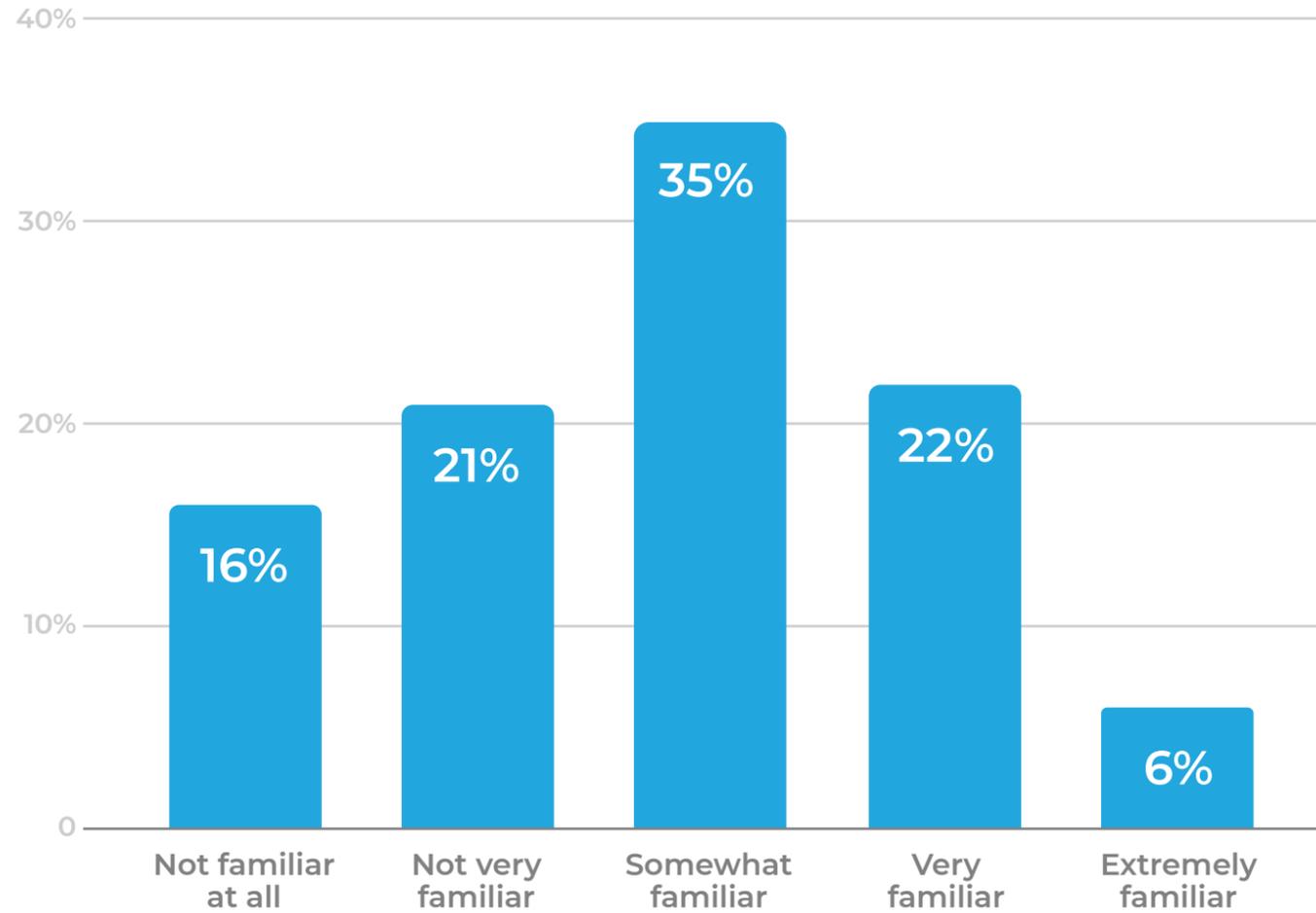
Methodology:

A quantitative study was conducted using the MMA membership list and a total of N=171 surveys were completed. Qualifying marketers had varying levels of engagement within the mobile app ecosystem (they represented advertisers, app owners, or app monetizers). All respondents had manager or above titles, with 66% being director or above. The survey was conducted in September, 2020.

Key Findings:

1. Marketers have varying degrees of familiarity with Apple's announcement about new protocols for tracking that will be implemented with iOS 14 (IDFA). Thirty-seven percent have little to no understanding of the new protocol.
2. The majority of marketers expect a negative impact of these changes on their capabilities. They expect to lose around 50% of identifiers under the new opt-in protocol with targeting, measurement and attribution the most challenged.
3. Marketers expect that probabilistic data will take on greater weight -- although they perceive this data as less accurate.
4. Many marketers are not sure how to approach the upcoming changes, especially when it comes to adopting Apple's SKAdNetwork and are also not sure if their mobile attribution providers can tackle the new challenges.
5. Apple's move on IDFA is seen as part of a bigger ecosystem movement towards greater consumer control over privacy that will eventually include Google.

How familiar are you with the announcements from Apple, with respect to IDFA and iOS 14?



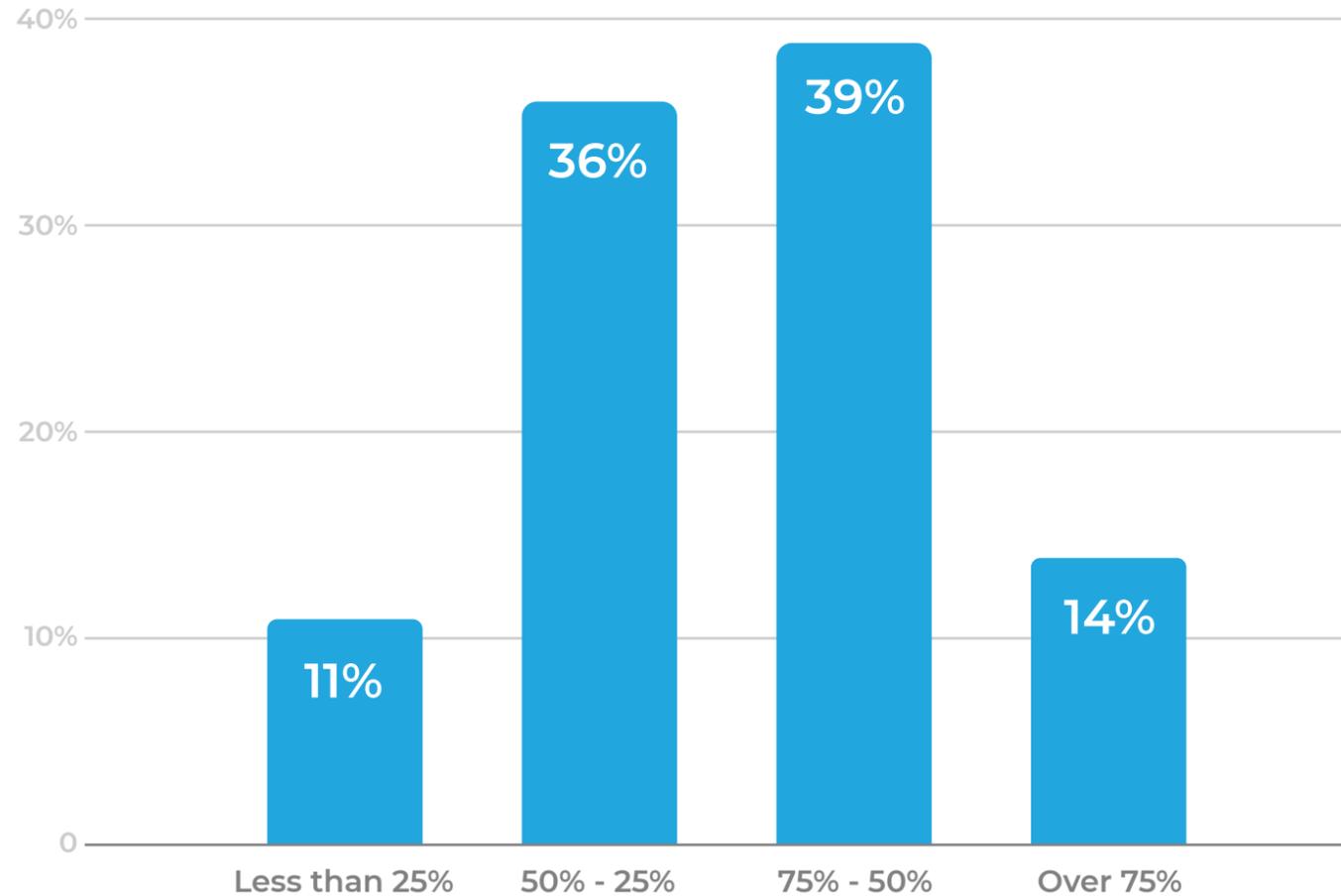
Source: MMA, AppsFlyer

Results:

Varying Degrees of Familiarity with IDFA

For a protocol that will dramatically change attribution for mobile advertising, there are varying degrees of understanding of the changes in iOS 14 with respect to IDFA. Thirty-seven percent of respondents are "not familiar at all" or "not very familiar" while 28% are "very" to "extremely familiar".

How significant do you think the reduction of these identifiers will be?



Source: MMA, AppsFlyer

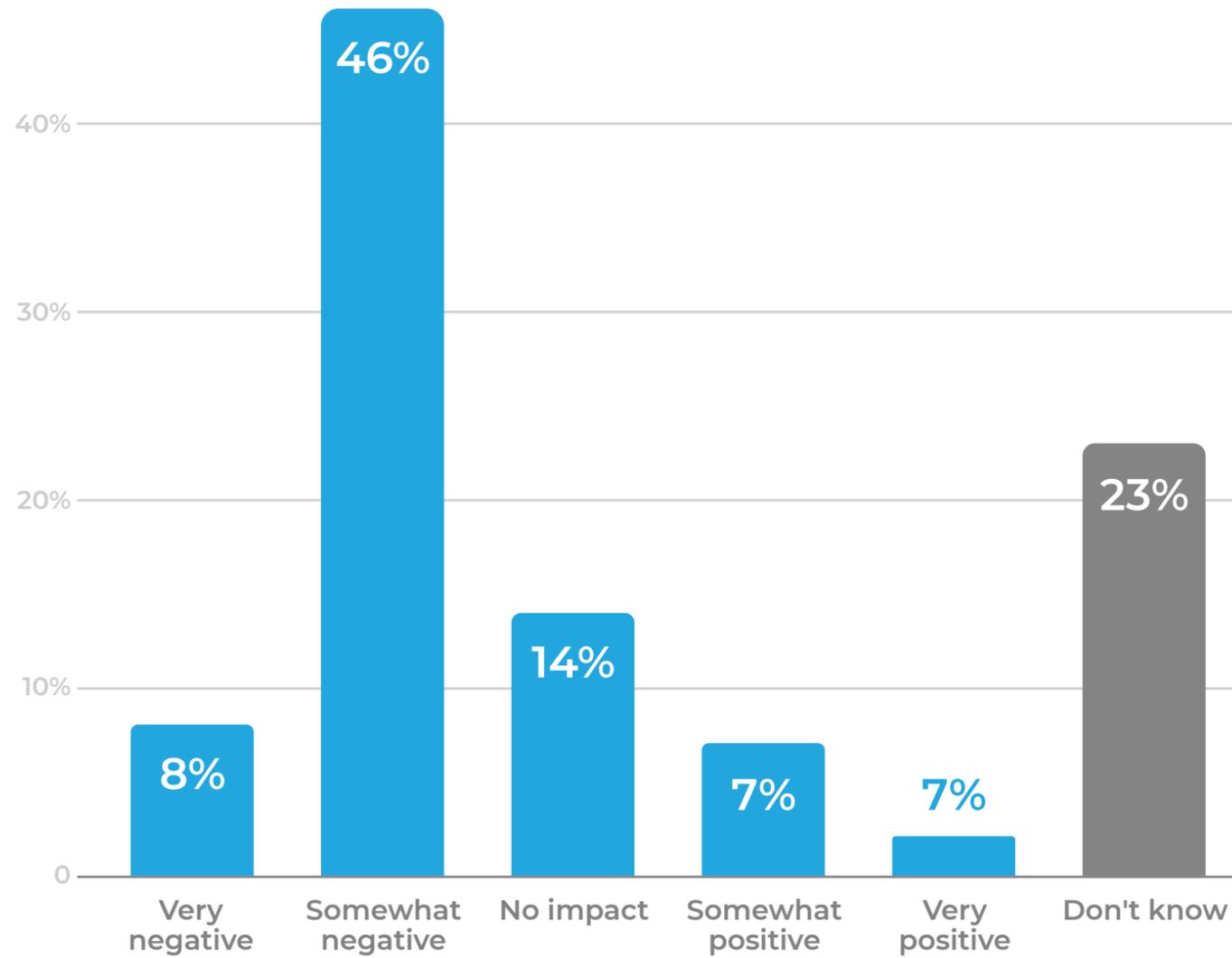
But the Estimated Impact of the Changes Is Dramatic

Because of the lack of consistent awareness, survey participants were given a description of the potential impact to respond to:

“Starting with iOS 14, all mobile apps will need to receive permission from each end user, in order to access and use the IDFA of each device. Apps will need to request that permission before tracking occurs. This could be at first launch of an app, or when certain app features are used. For clarity, until a user opts-in and grants authorization to be tracked, these identifiers will be zeroed out. So apps will not be able to access the IDFA of the devices that have not opted-in.”

Fifty-four percent of respondents believe that at least half of all identifiers will be reduced due to the implementation of new IDFA usage policies.

What do you expect to be the impact of these changes on your marketing capabilities?

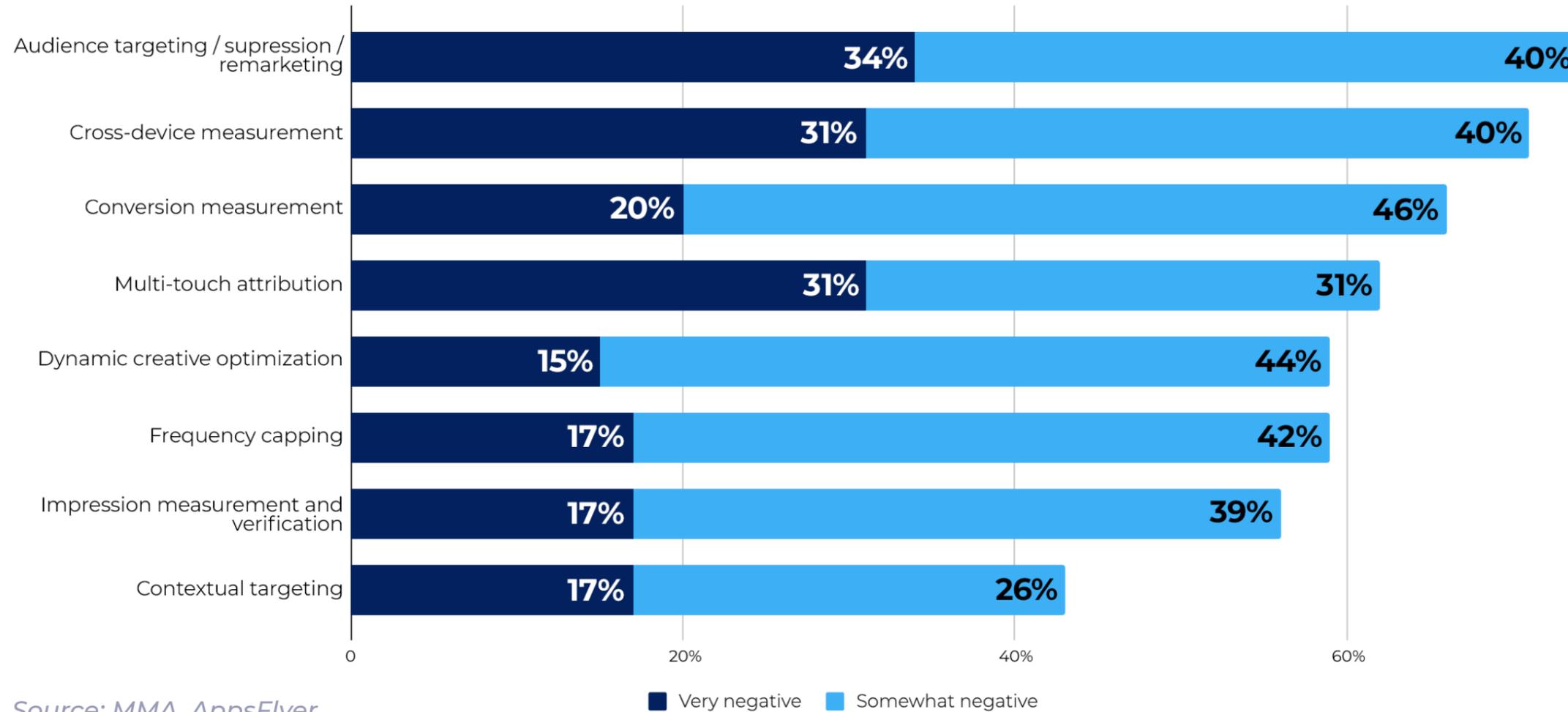


Source: MMA, AppsFlyer

Respondents Agree that the Impact Will be Negative

Fifty-six percent of all respondents thought the impact would be negative, but among those who were already familiar with the new protocol, the response was even more pessimistic: 73% said it would have a strong negative impact.

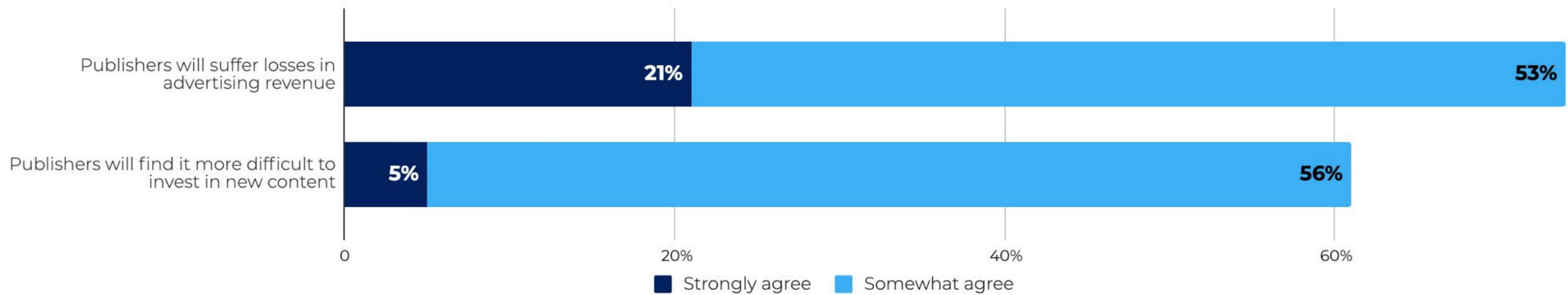
What do you expect to be the impact of these IDFA changes on each of the following marketing capabilities?



Change Expected to Impact the Entire Ecosystem: Audience Targeting Takes the Greatest Hit on the Demand Side

When asked to describe what areas would be impacted by the change, there was strong identification with targeting and measurement forms throughout the ecosystem. But Audience Targeting, Remarketing, Cross Device Measurement and Multi-Touch Attribution are expected to take the greatest hits. Even the least technological form of targeting, Contextual, was expected to be challenged; it was noted by 43% as being "somewhat" to "very negatively" impacted.

What do you expect will be the long-term impact of these changes on publishers and app developers?



Source: MMA, AppsFlyer

What's At Stake on the Supply Side? Publishers To Lose Ad Revenue and Ability to Invest in Content

There is general agreement that the new data usage guidelines will impact the ability of mobile publishers to generate ad revenue: 74% somewhat to "strongly agree" that they will suffer losses here. The larger impact is that publishers will find it more difficult to invest in new content, cited by 61% of respondents.

46%
of respondents
are unsure
whether they
will adopt
Apple's
SKAdNetwork

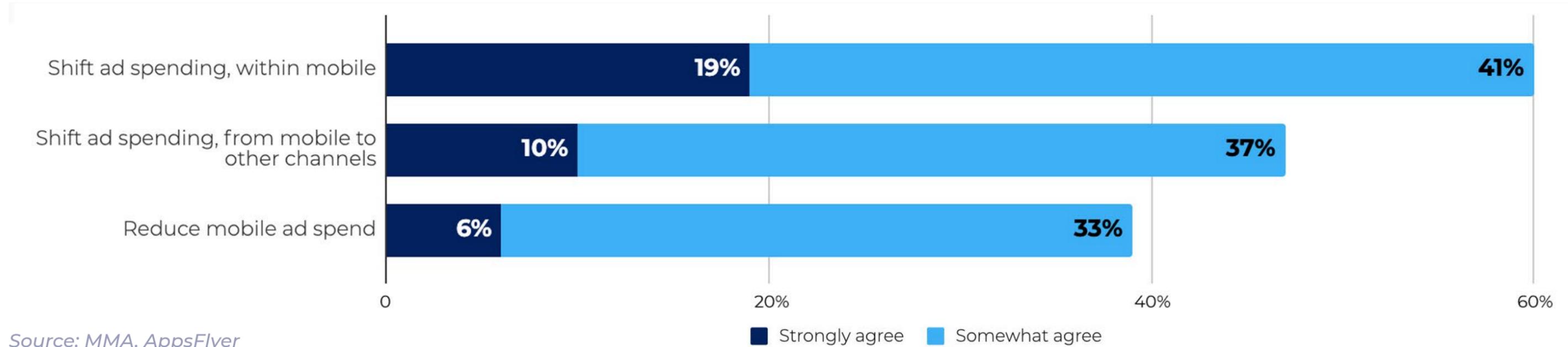
Source: MMA, AppsFlyer

Apple's Solution, SKAdNetwork Network, Not Seen as Adequate

To combat the impact that a substantial reduction of deterministic identifiers will produce, Apple introduced a set of basic attribution capabilities in the form of an updated SKAdNetwork framework.

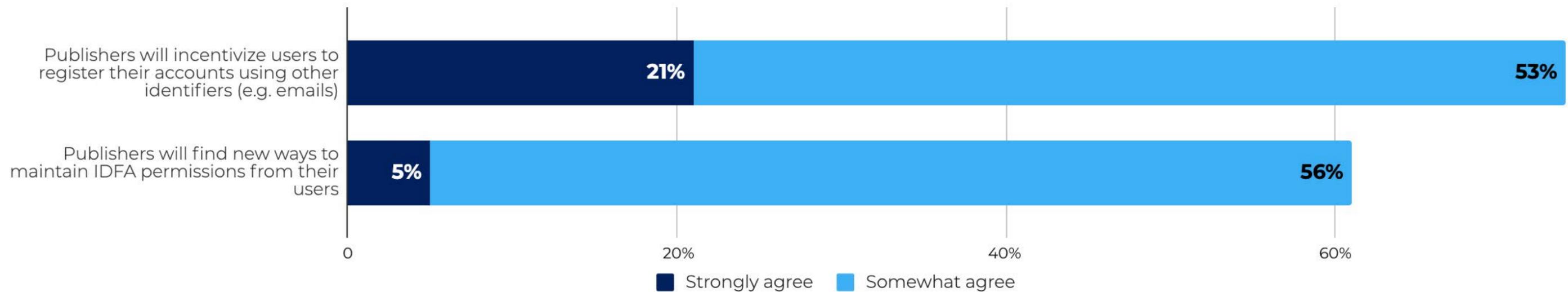
Nonetheless, only one third of respondents stated that they were "somewhat" to "very likely" to adopt SKAdNetwork. The vast majority of marketers remain on the fence about the solution, with 46% stating that they are "not sure" whether they will adopt SKAdNetwork.

How likely are you to take each of the following actions in response to the changes in iOS 14 / IDFA?



How, then, are marketers preparing for the disruption they expect when it comes to the measurability of their mobile campaigns? Some plan to either reduce or shift their mobile ad spend – either within the mobile ecosystem or to other mobile channels -- or straight out reduce mobile ad spend.

What do you expect will be the long-term impact of these changes on publishers and app developers?

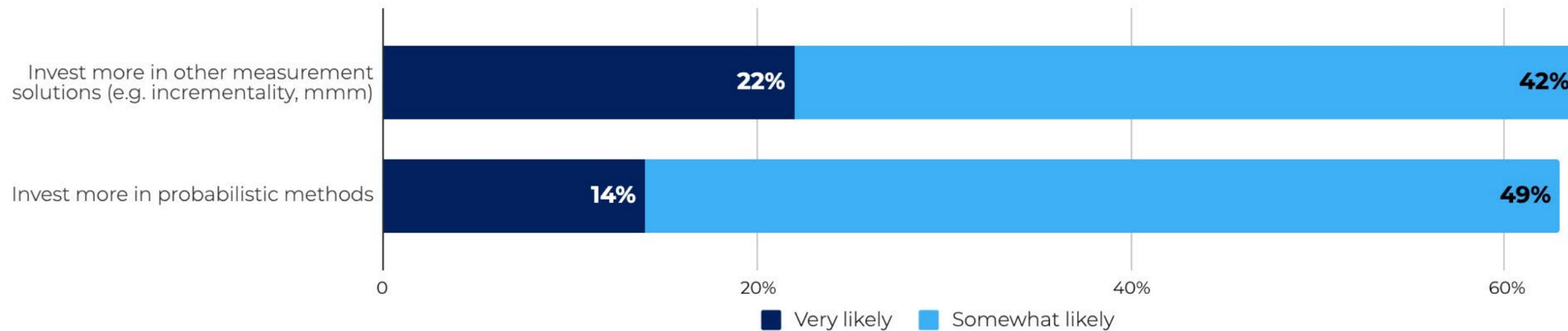


Source: MMA, AppsFlyer

Some Express Confidence that Deterministic Solutions Will be Developed

On the other end of the spectrum, a significant number of marketers express confidence about their ability to continue to use deterministic identifiers for measurement, either by using alternative identifiers like emails, or by finding new strategies to obtain permission to access the IDFA, such as by providing incentives. It is important to point out that at the time of this survey, Apple has specifically ruled these options out, even though the details about enforcement remain unclear.

How likely are you to take each of the following actions in response to the changes in iOS 14 / IDFA?

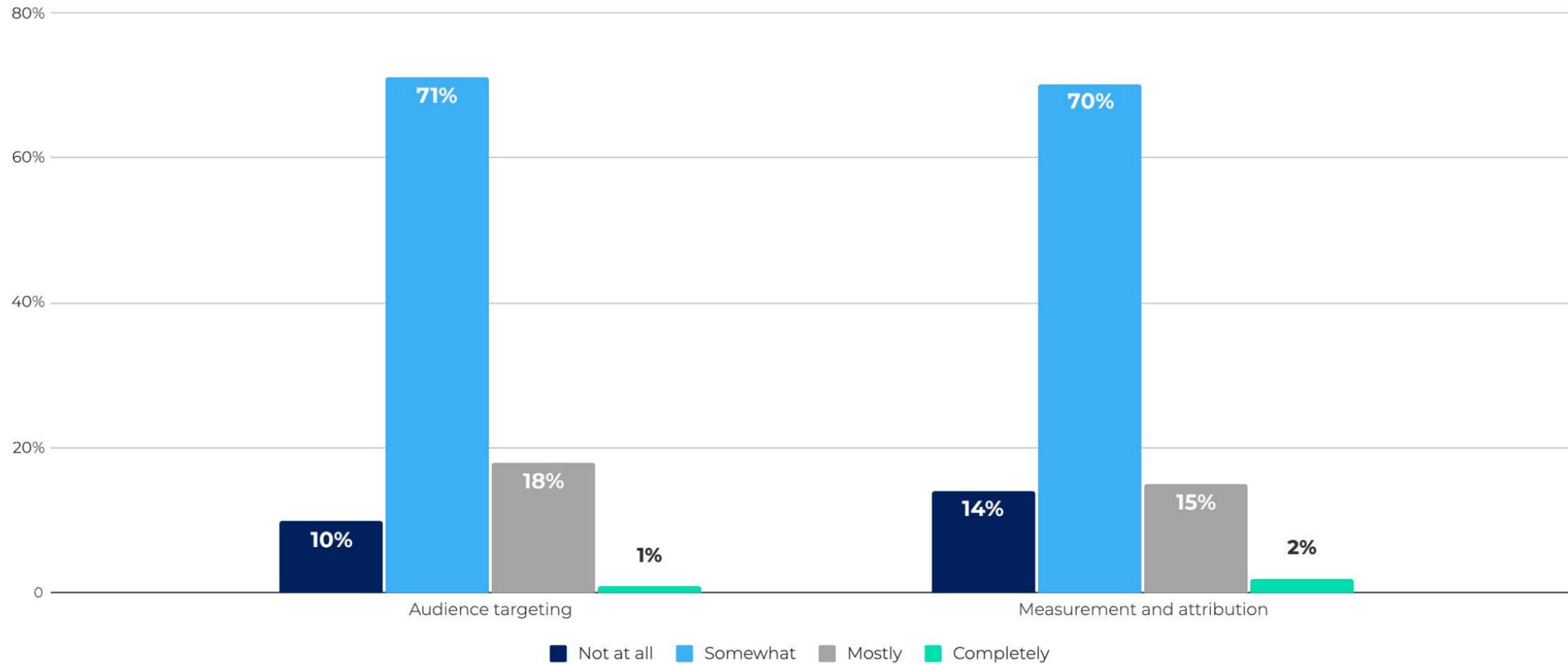


Source: MMA, AppsFlyer

While Others Turn to Probabilistic Solutions

The last remaining approach is to evolve how marketing measurement is handled on a conceptual level. Indeed, a majority of marketers state that they will invest more in alternative measurement solutions. Sixty-four percent are "somewhat" to "very likely" to invest more in other measurement solutions (such as incrementality, media mix modeling, etc) and 63% said they would invest more in probabilistic methods.

Overall, how much do you trust probabilistic data for each of the following applications?



Source: MMA, AppsFlyer

The challenge with probabilistic solutions is that there is not a great deal of confidence in them at this point. Marketers were only “somewhat” satisfied with this approach.

80%
of respondents
say it's likely
that Google will
adopt a similar
approach

Source: MMA, AppsFlyer

The Way Forward: Vendors Need to Adapt as the Larger Ecosystem Follows

Marketers saw Apple's move with IDFA as part of a larger move toward consumer privacy within the digital advertising ecosystem. Eighty percent of those surveyed thought it "somewhat" to "extremely likely" that other mobile operating systems (e.g. Android) would enforce similar "opt-in" approaches when it comes to identifiers. Who would be there to help them navigate this new world?

Takeaways:

With So Much Revenue at Stake, Probabilistic is the Direction the Industry Will Likely Adopt but Not All Probabilistic is Alike,

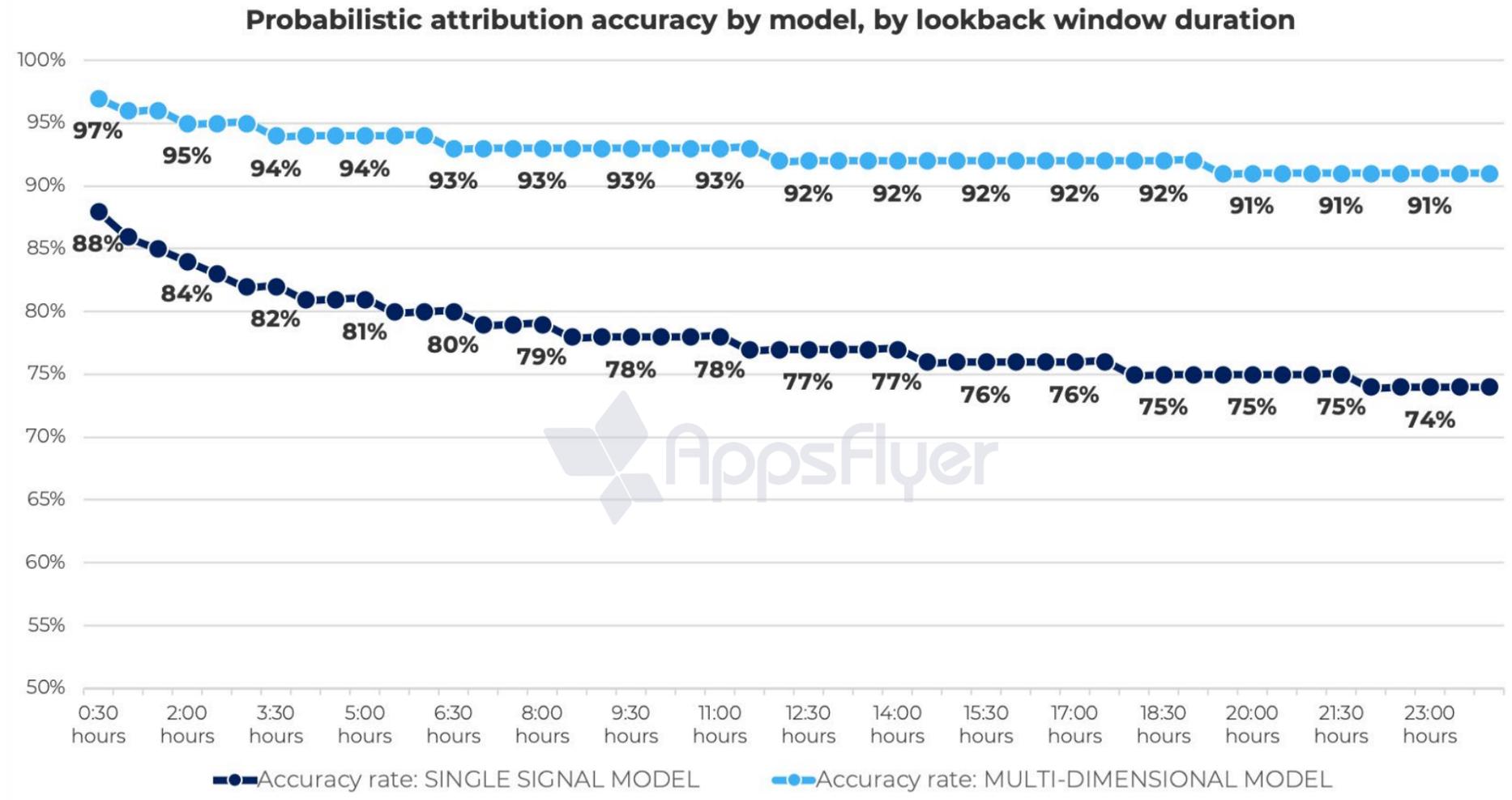
Apple's planned updates to iOS 14 represent an inflection point for the industry in respect to the ability to measure and appropriately attribute mobile app advertising. And while Apple has now pushed the implementation date to 2021, as the survey indicates, this change will clearly impact revenues for publishers. The extraordinary growth of mobile apps that has been fueled by advertising is at stake. There is less targeting, less transparency, and fewer options to re-engage through ads. This comes on the heels of the Covid-19 recession. Overall, iOS users drive the most revenue post-install. This impact will be significant as the in-app environment delivers some of the most high-engagement and thus valuable media inventory available today.

The industry has to adapt to this change, but also acknowledge that it is part of a larger turn towards consumer privacy dictated by GDPR in Europe and CCPA in the US and that Google may soon follow suit.

One of the most promising approaches from a technical perspective is the adoption of probabilistic methods as a measurement alternative when deterministic identifiers are not available. Probabilistic modeling is established by evaluating temporary parameters about a device. It leverages machine learning to estimate campaign performance without compromising on privacy. Unfortunately, doing probabilistic modeling right is much more complex than the relatively straightforward approach of matching a unique and relatively stable user ID like IDFA.

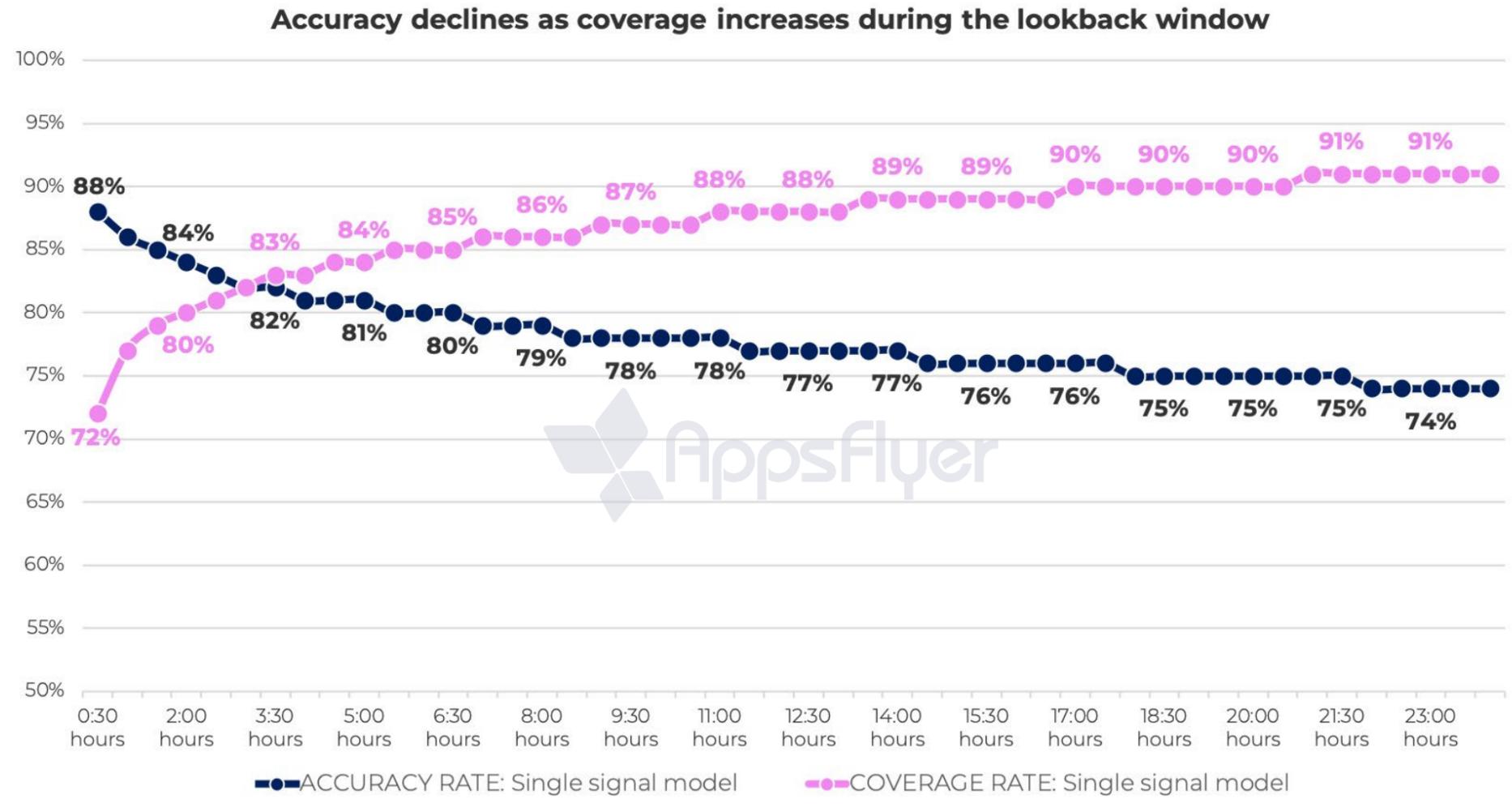
Fortunately, the overall accuracy of probabilistic modeling can be much better than its reputation suggests: A recent analysis of two probabilistic modeling approaches shows accuracy rates as high as 97% compared to attribution of the same data via IDFA.





Source: AppsFlyer

Not all probabilistic methods are created equal: One deciding factor is how many data points are being taken into consideration to confirm an accurate match between ad engagement and in-app user behavior. Here, a multi-dimensional approach using a mix of data points clearly outperforms methods that rely on a single signal.



Source: AppsFlyer

But even with a highly accurate, multi-dimensional model, accuracy deteriorates over time. This means that the “lookback window”, i.e. the maximum amount of time that is allowed to establish a match, can severely impact the quality of your measurement. As a general rule, the shorter the lookback window, the higher the confidence of a correct match. A shorter lookback window often correlates with capturing high intent users – for example when a user downloads and immediately opens the app. To complicate matters, there is a second, opposing force that affects accuracy: The availability of data points to establish a match. Here, a longer lookback window generally leads to an improvement in coverage, because ad engagement may not lead to immediate in-app behavior.

In summary, probabilistic modeling is a viable alternative to deterministic attribution, with accuracy rates significantly higher than usually perceived. But optimal lookback windows vary between apps and use cases, so the technology and methodology of probabilistic modeling makes all the difference.

